

October 9, 2014

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2014-0198- Board Policy Review of Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance**

Please find, enclosed, the submissions of the Consumers Council of Canada in the above-referenced Ontario Energy Board consultation process.

Yours truly,

*Julie E. Girvan*

Julie Girvan

CC: Ken Whitehurst, CCC

## **SUBMISSIONS OF THE CONSUMERS COUNCIL OF CANADA**

### **Re: Policy Review of Electricity and Natural Gas Distributor's Residential Customer Billing Practices and Performance**

**EB-2014-0198**

#### **INTRODUCTION:**

On June 27, 2014, the Board issued a letter announcing the commencement of a policy review of electricity and natural gas distributors' residential customer billing practices and performance. The Board's stated goal is to give more customers a better understanding of their energy consumption in a timely and accurate manner so they can better manage their consumption and control their costs.

As a first stage in the policy review the Board gathered information through a survey of all of the Ontario electricity and natural gas distributors on billing practices and estimated billing. On September 18, 2014, the Board released its "Draft Report of the Board on Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance" ("Draft Report"). The Board is seeking comments on a series of questions set out in the Draft Report. Those questions specifically relate to monthly billing and estimated billing for electricity distributors. Based on the results of its survey the Board does not intend to implement any new billing policies for the natural gas companies at this time.

These are the comments of the Consumers Council of Canada in response to the Draft Report.

#### **SUBMISSIONS:**

##### **Monthly Billing:**

The Board has indicated that it wants to transition all distributors to monthly billing by January 1, 2016. In the Draft Report the Board set out its rationale for mandating monthly billing:

As indicated in the Board's letter dated June 27, 2014, timely and accurate billing is essential to better informing customers about their energy use and allow them to manage regular expenses by budgeting for payments monthly, rather than bi-monthly. As such the Board wants to ensure that billing practices by all Ontario distributors in Ontario meet those customer expectations. The Board also wants to ensure that customers have the information to gain a better understanding of their energy consumption so that they can better manage that consumption and control costs.

The Board is of the view that one of the most effective ways to achieve these objectives is to have all non-seasonal electricity residential customers in Ontario billed on a monthly basis and that this should occur no later than January 1, 2016. (p. 8).

The survey results show that 53 out of 72 electricity distributors provide monthly billing to their non-seasonal customers. For the 19 electricity distributors that do not bill customers monthly, 7 indicated that they do have plans to move towards monthly billing, and 12 indicated that they do not have plans.

From the Council's perspective, for the reasons set out below, mandating the remaining 12 utilities that currently do not have monthly billing may not address the Board's ultimate goal which is "to give more customers a better understanding of their energy consumption in a timely and accurate manner so they can better manage their consumption and control their costs." It is the Council's position that only in cases where the benefits of monthly billing outweigh the costs should it be implemented.

There a number of conclusions and comments in the Draft Report regarding consumer behavior, and the potential costs and benefits associated with monthly billing. However, the Board has not provided evidence as to how the comments and conclusions were derived. The Board makes decisions based on evidence. In this case, the Council of the view the Board requires comprehensive evidence in the following areas before it mandates monthly bill for all Ontario distributors:

1. Do customers want monthly billing?
2. Will monthly billing give customers the information they need to gain a better understanding their energy consumption so they can better manage that consumption and control their costs?
3. Will the benefits associated with monthly billing outweigh the costs?

#### **Customer Preference:**

It is not clear from the Draft Report whether all customers are interested in receiving monthly bills. As a result of the Renewed Regulatory Framework for Electricity the Board is requiring distributors to engage their customers. Is monthly billing something that customers are requesting? Could this differ from utility to utility, especially if it is costly? In assessing whether to move to monthly billing or not the Board must consider, among other things, whether customers want monthly bills and whether distributors have evidence of customer support for monthly billing. If the costs outweigh the benefits, and customers are not interested in monthly bills it is not clear why a distributor should be mandated to implement this change.

#### **Managing Consumption and Controlling Costs:**

With respect to customers the Board concludes in its Draft Report the following:

A major benefit of monthly billing from the customer perspective is that it will bring a stronger connection between consumption and costs and make it easier for customers to identify the drivers that influence energy use to enable more immediate action to adjust their use and reduce electricity bills. In addition, sending a bill on a monthly basis, may improve customer relations as it may reduce inquiries or complaints related to high bills since the total bill amount will be for one month rather than two. (p. 8)

Are these conclusions based on customer surveys or some other form of customer engagement? The Council questions the extent to which the ability to adjust usage and reduce bills would be a “major benefit” of monthly billing for several reasons.

The way in which the current bill is structured makes it difficult for customers to understand the components of the bill and what varies with consumption. Variable charges and fixed charges are not displayed on the bill. The delivery component is made up of a number of components which are not transparent on the bill. In addition, for those on equal billing, the bill amount each month would not be reflective of consumption for the previous period.

The Council would add that if the Board moves to a 100% fixed charge for distribution, a customer’s ability to manage their bill, especially for low-volume customers, will be reduced. Monthly billing will not change this.

With respect to improving customer relations, is this conclusion based on data that the Board has acquired? Do those utilities with monthly bills have fewer complaints than those that don’t? If customers pay less attention to monthly bills because they are lower (thereby complaining less) it is counterintuitive to assume that will they, at the same time, become more sensitive to managing their consumption.

The Council submits that the move to monthly billing might generate more customer complaints or inquiries as it will represent a change for customers that might not be readily understood.

### **Costs and Benefits:**

The Board acknowledged that the change to monthly billing may require process changes and cost implications for distributors. The Board also indicated that it is essential to look at the costs and benefits from both an electricity distributor and customer perspective.

The Council agrees with the Board that it is essential to look at the costs and benefits of monthly billing from both the distributor’s perspective and the customer

perspective. Only if the benefits clearly outweigh the costs should monthly billing be pursued. The circumstances may be different for different utilities. The incremental costs may be very different for any given utility. The incremental benefits may also vary.

The major costs associated with monthly billing will be the costs of changing the billing systems, postage, and bill production. The Council expects that for some utilities these costs will be significant. The Council also assumes that some of those utilities that have not moved to monthly billing have already determined that the costs outweigh any benefits.

In terms of benefits the Council agrees that with monthly billing a distributor's cash flow would be improved and that the working capital allowance should be reduced. If the Board's current approach, which is based on an average, is not changed this would result in a higher allowance than required, which would be unfair to customers. If the Board is moving to mandated monthly billing it would be imperative for it to undertake a review of its working capital allowance policy and ensure that the allowance is consistent with the needs of the utility.

The Council questions whether costs would be reduced significantly in the areas of collection, arrears and bad debt with monthly billing. Does the Board have evidence to support this claim?

The Council submits that a prudent approach to reaching the Board's goal "to give more customers a better understanding of their energy consumption in a timely and accurate manner so they can better manage their consumption and control their costs" would be to look closely at improving real-time bill information rather than monthly billing for the remainder of the utilities. It may be more appropriate to promote the implementation of web portals that allow customers, concerned about usage, to monitor their usage on a regular basis. In addition, the Board should consider looking at ways to decrease the billing lag so there a shorter period between consumption and when the bill is received.

If monthly billing is implemented it should only be implemented if there is a clear demonstration that it is something that customers want (generally) and that there is a business case to support it. The benefits must outweigh the costs.

### **Board Questions on Monthly Billing:**

1. For the electricity distributors that do not offer monthly billing, what are the barriers faced in meeting the Board's goal of having all residential customers moved to monthly billing by January 1, 2016. What are the off-setting benefits such as reduced costs?

The Council suggests that the costs of changing the current billing system, additional postage and the costs associated with addressing customer reactions to more

frequent billing are the major barriers. Decreased working capital would be a benefit.

2. Should seasonal customers also be billed on a monthly basis? What are the barriers to moving to monthly billing? What are the offsetting benefits such as reduced costs?

Those distributors with seasonal customers should be able to assess the costs and benefits of moving to monthly billing and whether seasonal customers would be supportive or not.

### **Estimated Billing**

The Board intends to establish a residential consumer estimated billing policy for electricity distributors. The Board indicated its intent to continue to monitor the performance of electricity distributors with respect to billing accuracy as part of the annual performance scorecards and continue to evaluate the 98% billing accuracy measure. The Council supports this approach.

1. Are there circumstances that should be considered as exceptions to the requirement for all residential consumers to receive bills based on actual meter reads?

Exceptions should be granted for technical and geographic isolation issues only. This would be the case of a meter or collector is not responding (using a prescribed timeframe for how long the utility has to make repairs) or if the resident is in an isolated geographic area where there is no technology to read a smart meter.

2. Are there any barriers to moving to eliminate estimated billing? Are these offset by any benefits?

Utilities should be encouraged to continue to investigate new technologies to assist them in reaching the goal of no estimated bills.

3. For those limited circumstances where an estimated bill may be required what is the appropriate methodology to be used in estimating the data?

A customer's historic usage or other methodologies that are recommended by distributors and tested with customers should be employed.

Should the policy establish a similar measure to that in GDAR (<.5% of meters with no read for 4 consecutive months) If so, what should this measure be and should there be a disincentive for not meeting the measure?

The Council agrees that a measure should be established. The appropriate measure should be the result of consultation with the distributors and tested through customer surveys.